

Understanding Exception-Based Restaurant Management:

Smarter Information, More Actionable, More Convenient.

A White Paper for Restaurant Operators and Managers by MIRUS





EXECUTIVE BRIEF

Despite the millions of dollars that have been invested in business intelligence and data warehousing, restaurant operators still do not get the on-demand tools that help them make effective decisions quickly. Exception-Based Restaurant Management is a proven solution. Three implementation methods give senior management a range of choices with one – a Web-delivered option – offering the lowest risk and the highest value.

Large or small, independent or franchised, companies within the restaurant industry have invested significant effort and resources in the collection and storage of operating information. The same effort has not been put into ensuring access and usability of the data by those responsible for day-to-day operations and profitability on a store, city, or divisional basis.

Here we offer to examine the on-demand, easy-to-learn data simplification of **Exception-Based Restaurant Management**, and operating your restaurants more easily and more profitably. The term itself is encumbered by a certain amount of geek-speak; it has become embedded in the software and information-management business.

We use few or no acronyms in this paper (e.g., “EBRM”) to avoid the buzzword syndrome. Nevertheless, Exception-Based Restaurant Management is already familiar to those people in your organization who are involved in data management, computer systems, and restaurant operations. For example, flagging cash shortages or employee overtime are examples of Exception-Based Restaurant Management. As a set of buzzwords, it may seem somewhat hard to grasp; but you are already familiar with it – in concept.

The Need for Exception-Based Restaurant Management

You have not needed it before, have you? Why do you “suddenly” need it now? Because Exception-Based Restaurant Management genuinely helps you pinpoint problems (tactical and strategic) faster, and solve them faster. Today faster is better.

Exception-Based Restaurant Management is a cure for two common problems in restaurant operations. **[1]** There is so much information generated by your restaurants every day, managers are paralyzed by it, so decisions are difficult to make. **[2]** There is a reluctance to engage with the data because it conflicts with the emotional desire to run the restaurant based on your own experience, knowledge, and instinct.

You already *manage by exception* without realizing it. Presume that the car you drive to work is less than 10 years old. The computer inside your engine presents you with exception messages like the low-oil light, the service-required message, even the electronically generated voice announcing that “Your door is ajar.” A modern automobile engine is such a complex machine, it generates continual data that your car’s on-board computer manages for you – and informs you when there is a problem. That’s when you take action.

In automobiles, as in restaurants, operation generates so much information that you do not have the time or the need to examine every piece of data unless you own a garage filled with diagnostic machines or are the sole proprietor of a single restaurant – and have extra time on your hands.

Exception-Based Restaurant Management Defined

“Exception” is an item or object that is different than everything else, especially a case that does not conform to a rule or generalization. A dictionary definition, but it is important because in this kind of solution, you set the rules.



EXCEPTION-BASED REPORTING IS CONVENIENT AND FOCUSED.

An Exception-Based Restaurant Management solution presents exception reports, actionable alerts, and balanced scorecards,¹ delivering information needed for action directly to you in an easy-to-understand format (screens) via your computer, PDA, BlackBerry®, or cell phone.

This is the simplest definition, a ‘front end’ like the dashboard of your car: You see the actions required, while at the same time there is quite a lot happening throughout the automobile that makes the dashboard information available to you.

In managing by exception, an operator who “engages” with the data also recognizes that he or she does not have to be bothered the 95 percent or 99 percent of the time that things go well. This manager wants to know when things are going wrong, so he or she can step in to react to an emergency, redesign a promotion, or correct a mistake.

Exception-based reporting is convenient. By focusing on things that do not follow the norm rather than on those that do, exception-based reporting lets you quickly zero in on problems and resolve them before they overwhelm you.

Exception-Based Restaurant Management works best when it is associated with the point-of-sale (POS) automated system that monitors the full scope of a restaurant’s or a chain’s transactions. Your overall restaurant information management (business intelligence) system assembles data captured from POS feeds from each restaurant, along with other data feeds from a variety of other information sources in your organization. It is then the job of the exception-based reporting subsystem to clean, conform, filter, analyze, and present just the key information you need, delivered the way you can use it best.

At the same time, none of your organization’s data is lost or compromised in this process – it is all warehoused and safeguarded for you or your management team to review in full. Exception-Based Restaurant Management maximizes convenience: it lets you “look at a few things and manage everything.”

Data Convenience, Not Data Collection, is the Issue

Exception-Based Restaurant Management is distinct from “business intelligence” which *does* look at everything. IT departments and vendors will talk with you in terms of the latter.

Business Intelligence applications are decision support tools that enable real-time interactive access, analysis and manipulation of mission-critical corporate information. These applications provide users with valuable insight into key operating information to quickly identify business problems and opportunities. Users are able to access and leverage vast amounts of information to analyze relationships and understand trends that, ultimately, support business decisions.

The desired outcome of Business Intelligence systems is the continuous improvement of the organization through timely information that enhances decision-making. These systems enable the organization to become proactive and information agile.²

In fact, “The purpose of Business Intelligence, as conceived in the early 1990s, was to give business users direct access to information instead of having to go through the IT department to obtain custom reports or views of information. The idea was to empower business users by allowing them to query a repository of integrated data (i.e., a data warehouse or data mart) and create their own reports.”³

The combined forces of business intelligence within your company enable you to refine or maximize your operations and compete for the consumer’s dollars more effectively. You collect first, then detect, and then react.



This statement is true if you can actually use the massive amount of information that is available to you as a restaurant operator.

There is no doubt that the data is there. Your data exists. Management has bought into information collection for the past decade, warehousing large quantities of data, using increasingly sophisticated systems to accumulate and store the information and generate reports.

To paraphrase Kaplan and Norton, these business intelligence systems often fail to give you a *timely* analytical tool that is both integrated and functional. Business intelligence systems may not satisfy end-users' needs for two primary reasons.

Meaningful, critical data is either missing or hidden away in some non-integrated storage or space "silo." If the data is present, it is not available or not accessible to managers for direct and immediate use.⁴

Guest-check details (data from each and every transaction) yield an excruciating mass of material, which may not be available in time to do any good. In the restaurant industry, as a result, most business intelligence systems are not suited for an "on-demand" environment⁵. This slow reaction time is one of the pain points of restaurant operators nationwide.

Retrieving stored data is difficult and time-consuming. Everyone agrees that there is profit in the details provided by business intelligence systems. If you cannot quickly and easily get the right details about your restaurant or about the restaurants in your division, then you cannot make them work in your favor.

Providing area and store managers with rapid access to information they should have is the answer. It lets them make advance plans and schedules. It delivers the flexibility to revise programs based on costs and conditions, in the face of changing demand. When on-demand data is available, managers can supplement or cut back depending on the projected volume and actual restaurant activity during any specified period – day part, day, week, month, or season.

It is not an issue of having the data tools to manage properly. It is an issue of having the right tool, at your fingertips, to do your job more quickly and more easily than before.

On-Demand Exception-Based Restaurant Management is the Right Tool

Exception-Based Restaurant Management lets you deal with far more detail, on demand, without increasing your effort. It processes a lot of numbers generated by your business intelligence system, then *exceptionalizes* based on the data and reports those distinctive or unusual activities to you.

You pre-determine and set the success parameters. Every promotion is put into the system, which automatically tracks increases or decreases in customer visits; and increases or decreases in market responsiveness. The exceptions, above or below expectations, are reported to you. All employees are put into the system; their performance parameters are set and the exceptions reported.

Exception-based reporting lets you administer restaurant activity parameters and filter report data. Codify your definitions of success.

The exception-based system tells you when you've succeeded or failed within the time frame you have also defined. You do not have to waste time by searching through pages of data. In fact, you save time by only viewing the requested information. Create more opportunities to decrease costs and increase efficiencies. And spend your time more valuably with your staff and your guests.

**RAPID ACCESS TO
KEY INFORMATION
IS THE ANSWER.**

You also have the ability to change your report parameters at any time. Exception-Based Restaurant Management systems use a "dashboard" which lets you view critical performance data (and exceptions) with graphic icons at a glance, and allows you to drill down further for detailed analysis and reports.



Convenient Exception-Based Management Examples

- **Tumbleweed Restaurants**, based in Louisville, KY, develops, franchises and operates 63 Southwestern-style restaurants in eight states and internationally under the trademark Tumbleweed Southwest Grill. They have been using an exception-based management solution to make data that does not fit their business standards more visible. Deploying reports with this

solution, along with using their POS labor scheduler, helped them to reduce labor costs by 0.5%, generating over \$300,000 annually in increased profit.

They have also been able to create on-the-fly reports in a matter of minutes that have kept them from prepping too many potatoes and adding to their waste. They have even created reports that project the sales on promotional items so that they order enough of the product before running out. After seeing huge savings across the board, Tumbleweed is continuing to explore new ways to employ their exception-based solution.

- **RGT Management** of Memphis, TN, owns 60 Taco Bell, KFC and Pizza Hut franchises. Its business intelligence solution automatically draws data from the stores; exception-based reporting proactively alerts managers to variances and trends, so RGT managers can react to problems much more quickly.

The system not only gives its users extensive control of both current and historical data, it makes adding or modifying reports easy. It also takes the burden off managers by delivering alerts by email, pager, or fax whenever a designated variance occurs, such as when a daily report is missing or a store's performance rating (drawn automatically from the franchisor) falls below standard. "We are operating on a much higher level," reports Michael Roe, Chief Operating Officer of RGT Management. "We never would have been able to connect the dots like this before. When all of the information is in one place you can start seeing trends - and that helps you to catch issues before they become real problems."⁶

How to Get to Exception-Based Restaurant Management

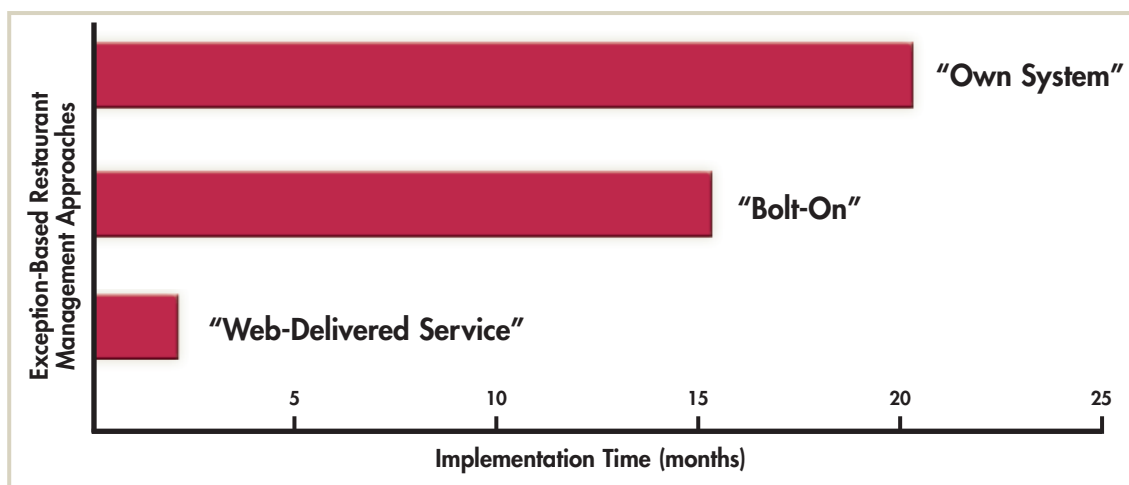
There are three approaches to making Exception-Based Restaurant Management part of your own management process.

1. Have the capability built by your own IT department
2. Purchase an exception reporting system as a "bolt-on"
3. Access Exception-Based Restaurant Management as part of a Web-delivered service.



1. **“Own System”** represents an option for a highly capable IT support team with intimate knowledge of your existing business intelligence infrastructure and specialized knowledge of data warehousing. Its advantage is that it can be highly customized for your specific scope of operations in all its myriad details. It can therefore be built to allow access to all of your data warehouses or silos. Its drawbacks are expense and time: the man-hour overhead incurred by tasking (or over-tasking) your IT team; and the sheer amount of time it will take for a busy IT department to code and deploy a subsystem that may make entirely different demands on your IT system that it is normally capable of handling.

The new subsystem must be able to sort your data on demand; add or modify reports without labor-intensive intervention; integrate external data; generate alerts or exceptions based on data content; and be able to easily and quickly distribute the work interface



among dozens or hundreds of operator-users. It involves a potentially major enterprise package that may take months or years to integrate – then train operators and franchisees to work with effectively. This option is inapplicable to small and mid-sized companies, or those with capital constraints.

2. **“Bolt-On”** is a more cost-effective alternative than modifying your existing enterprise system. There are several proven subsystems that can be purchased in this manner. Whether it is bought from your current system vendor or from a “certified partner” of your existing supplier, this approach will likely get an exception-reporting module into use more quickly - but still take months. It may very well require substantial development time to work efficiently with existing IT systems and represent a large capital expenditure. If capital is an issue, the bolt-on option is an expensive choice.

3. **“Web-Delivered Service”** is the fastest growing trend. It is neither as time- or cost-intensive as other options: You are not buying it, you are renting it. Because Exception-Based Restaurant Management is readily delivered via software-as-a-service, it offers you much more functionality by giving you and your end-users what they need, when they need it. Even better, it lets you use the data that fits your needs best in a way you can most easily use it.

The Web-delivered service option gives you the opportunity to change your thinking about meeting your demands with software, from packaged applications with up-front licensing fees and potentially lengthy deployment times (Option 2, above).

It is a dynamic, on-demand service that directly addresses your most relevant business processes, leverages Internet delivery among you and your users, and goes live in a matter of days or weeks.⁷ It takes advantage of the vendor’s shared knowledge for other, similar implementations. As a result, its implementation risks are low and its value proposition is high.

In other words, the Web-delivered service is the best option in terms of risk versus reward.



**WEB-BASED
EXCEPTION-BASED
REPORTING:
DYNAMIC AND
RELEVANT.**

The Exception-Based Restaurant Management service delivers measurable results:

- faster access to critical operating information
- major reductions in administrative time and cost
- faster identification of theft and reduction of waste
- significant savings in food and labor cost
- faster payback compared to own-system or bolt-on alternatives
- multiple returns on investment
- sales increases
- more responsive control over operations.

Conclusion: Convenience Makes Your Data More Actionable

Research and actual implementations confirm that the Web-delivered Exception-Based Restaurant Management service merits attention not only for its high value proposition as a more effective loss-cutter and business management tool. It is also the most flexible application no matter what your management style.

If you count on extensive experience and instincts to get the most revenue (and value) from your operations, let the “machine” be your servant. A good businessperson looks for objective reinforcements for his/her managerial instincts. A Web-delivered Exception-Based Management service is an effective feedback loop supplying objective data immediately, to support your hands-on style.

If you are used to extensive interaction with large amounts of data every day, Web-delivered Exception-Based Restaurant Management enables you and your end-users to find problems automatically and fix them faster, cut losses faster, implement winners faster and more easily.

It is not simply an issue of “smarter” information. The Web-delivered service option improves actionability and maximizes convenience in your work day. The results speak for themselves.

These are the provable and measurable benefits of Exception-Based Restaurant Management: a tool every foodservice company, regardless of size, should think about implementing in its organization.

Footnotes

1. Microsoft.NET Customer Solution, March, 2003.
2. Kaplan, Robert S., and David P. Norton, Harvard Business Review.
3. Eckerson, Wayne W., and Cindi Howson, “Enterprise Business Intelligence: Strategies and Technologies for Deploying BI on an Enterprise Scale,” The Data Warehousing Institute, August, 2005.
4. Kaplan, op.sit.
5. SIAA Software Division & Tripletree, “Software as a Service: Changing the Paradigm in the Software Industry”, ND.
6. Microsoft.NET, op.sit.
7. SIAA Software Division & Tripletree, op. sit.

About MIRUS

By changing the way restaurant managers look at their operating information, MIRUS services let operators look at a few things and manage everything. Our Web-delivered software transforms huge amounts of data into readable information – smarter information – that’s easy to use, easy to understand, and easy to share. So restaurant operators can see their key performance drivers and act on them faster. Learn more about MIRUS services at www.mirus.com.



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